

# HOUSE BILL No. 1064

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1; IC 6-2.3-2-2.1; IC 6-3-2-1.1; IC 6-5.5-2-1.1; IC 20-24-7-2; IC 20-26-11-23; IC 21-2; IC 21-3; IC 27-1-18-2.1.

**Synopsis:** School levy freeze. Imposes a freeze on the total amount of ad valorem property taxes that may be imposed by a school corporation for all funds beginning in 2007. Provides that another school fund must be used if for any reason there is a debt service obligation that is guaranteed from property taxes and constitutes an increased debt burden over 2006 levels. Allows the department of local government finance to increase the limit to allow a school corporation or tax increment financing area to meet its obligations if insufficient money is available after the taxing unit has eliminated all discretionary spending and sold all surplus property. Permits a school corporation to exceed the limit if a referendum is passed. Limits the referendum increase to 1% over the limited amount and to the period approved in the referendum. Permits the referendum tax levy to be allocated to any fund. Establishes a local income for education surtax at a rate of 0.25% for individuals, at a rate of 0.63% for corporations and financial institutions, and at a rate of 0.1% for utilities and insurance companies electing to pay the insurance premium tax. Deposits the surtax revenue into a dedicated state fund named the local income for education (LIFE) fund. Modifies the school funding formula to provide that the amount that would have been contributed in a year from general fund property taxes above the freeze limit is instead replaced with distributions distributed from the LIFE fund. Provides for a supplement LIFE distribution of not more than: (1) the assessed value growth quotient times the prior year LIFE distribution; minus (2) the current year general fund property tax replacement amount. Permits the supplemental distribution to be allocated to any fund.

**Effective:** July 1, 2006; January 1, 2007.

**Buck**

January 4, 2006, read first time and referred to Committee on Ways and Means.



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Introduced

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

## HOUSE BILL No. 1064

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A BILL FOR AN ACT to amend the Indiana Code concerning education finance and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-1.1-19-1.5, AS AMENDED BY P.L.246-2005,  
2       SECTION 60, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       JULY 1, 2006]: Sec. 1.5. (a) The following definitions apply  
4       throughout this section and IC 21-3-1.7:

5               (1) "Adjustment factor" means the adjustment factor determined  
6               by the department of local government finance for a school  
7               corporation under IC 6-1.1-34.

8               (2) "Adjusted target property tax rate" means:

9                       (A) the school corporation's target general fund property tax  
10                      rate determined under IC 21-3-1.7-6.8; multiplied by

11                     (B) the school corporation's adjustment factor.

12               (3) "Previous year property tax rate" means the part of the school  
13               corporation's previous year general fund property tax rate imposed  
14               for the school corporation's tuition support levy (as defined in  
15               IC 21-3-1.7-5), but before the reductions in IC 21-3-1.7-5.

16               (b) Except as otherwise provided in this chapter, a school  
17       corporation may not impose a general fund ad valorem property tax

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levy which exceeds the following:

STEP ONE: Determine the result of:

(A) the school corporation's adjusted target property tax rate;  
minus

(B) the school corporation's previous year property tax rate.

STEP TWO: If the school corporation's adjusted target property  
tax rate:

(A) exceeds the school corporation's previous year property tax  
rate; the result under this STEP for the school corporation is  
the school corporation's previous year property tax rate; after  
increasing the rate by the lesser of:

(i) the STEP ONE result; or

(ii) three cents (\$0.03); or

(B) is less than the school corporation's previous year property  
tax rate; the result under this STEP is the school corporation's  
previous year property tax rate after reducing the rate by the  
lesser of:

(i) the absolute value of the STEP ONE result; or

(ii) eight cents (\$0.08); or

(C) equals the school corporation's previous year property tax  
rate; the result under this STEP is the school corporation's  
adjusted target property tax rate.

STEP THREE: Divide the school corporation's total assessed  
value by one hundred dollars (\$100).

STEP FOUR: Multiply the STEP TWO result by the STEP  
THREE result.

STEP FIVE: Determine the sum of the following:

(A) The STEP FOUR result.

(B) An amount equal to the annual decrease in federal aid to  
impacted areas from the year preceding the ensuing calendar  
year by three (3) years to the year preceding the ensuing  
calendar year by two (2) years.

(C) The part of the maximum general fund levy for the year  
that equals the original amount of the levy by the school  
corporation to cover the costs of opening a new school facility  
or reopening an existing facility during the preceding year.

(D) The amount determined under item (iv) of the following  
formula:

(i) Determine the target revenue per ADM under  
IC 21-3-1.7-6.7 for each charter school that included at least  
one (1) student who has legal settlement in the school  
corporation in the charter school's current ADM.

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(ii) For each charter school, multiply the item (i) amount by the number of students who have legal settlement in the school corporation and who are included in the charter school's current ADM.

(iii) Determine the sum of the item (ii) amounts.

(iv) Multiply the item (iii) amount by thirty-five hundredths (0.35).

In determining the number of students for purposes of this clause, each kindergarten pupil shall be counted as one-half ( $\frac{1}{2}$ ) pupil.

**the ad valorem property tax levy for property taxes first due and payable in 2006.**

(c) For purposes of this section, "total assessed value" with respect to a school corporation means the total assessed value of all taxable property for ad valorem property taxes first due and payable during that year.

(d) The department of local government finance shall annually establish an assessment ratio and adjustment factor for each school corporation to be used upon the review and recommendation of the budget committee. The information compiled, including background documentation, may not be used in a:

- (1) review of an assessment under IC 6-1.1-8, IC 6-1.1-13, IC 6-1.1-14, or IC 6-1.1-15;
- (2) petition for a correction of error under IC 6-1.1-15-12; or
- (3) petition for refund under IC 6-1.1-26.

(e) All tax rates and tax levies computed under this section shall be computed by rounding in conformity with IC 21-3-1.7-7.

SECTION 2. IC 6-1.1-19-4.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4.5. (a) With respect to every appeal petition that is delivered to the tax control board by the department of local government finance under section 4.1 of this chapter and that includes a request for emergency financial relief (except an appeal petition described in section 4.7 of this chapter), the tax control board shall, after having made the study of the appeal petition and related materials that the tax control board considers necessary, make an appropriate recommendation to the department of local government finance. If the appeal petition requests an excessive tax levy under subsection (c), the tax control board shall expedite the board's review as necessary to permit the referendum to be conducted without a special election. In respect of the appeal petition, the tax control board may make to the department of local government finance any of the recommendations described in section 4.4(a) of this chapter,

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subject to the limitations described in section 4.4(b) of this chapter.

(b) In addition, if the tax control board concludes that the appellant school corporation cannot, in the ensuing calendar year, carry out the public educational duty committed to the appellant school corporation by law if, for the ensuing calendar year, the appellant school corporation does not receive emergency financial relief, the tax control board may recommend to the department of local government finance that the order of the county board of tax adjustment or the county auditor in respect of the budget, tax levy, or tax rate of the appellant school corporation be approved, or disapproved and modified, as specified in the tax control board's recommendation and that the appellant school corporation receive emergency financial relief from the state, on terms to be specified by the tax control board in the board's recommendation, in the form of:

(1) a grant or grants from any funds of the state that are available for such a purpose;

(2) a loan or loans from any funds of the state that are available for such a purpose;

(3) permission to the appellant school corporation to borrow funds from a source other than the state or assistance in obtaining the loan;

(4) an advance or advances of funds that will become payable to the appellant school corporation under any law providing for the payment of state funds to school corporations;

(5) permission to the appellant school corporation to:

(A) cancel any unpaid obligation of the appellant school corporation's general fund to the appellant school corporation's cumulative building fund; or

(B) use, for general fund purposes, any unobligated balance in the appellant school corporation's cumulative building fund and the proceeds of any levy made or to be made by the appellant school corporation for the appellant school corporation's cumulative building fund;

(6) permission to use, for general fund purposes, any unobligated balance in any construction fund, including any unobligated proceeds of a sale of the school corporation's general obligation bonds; or

(7) a combination of the emergency financial relief described in subdivisions (1) through (6).

~~(c) In addition to, or in lieu of, any recommendation that the tax control board may make under this section, the tax control board may recommend that the appellant school corporation be permitted to make~~

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a referendum tax levy for the ensuing calendar year under this subsection. The recommendation may not be put into effect until a majority of the individuals who vote in a referendum that is conducted in accordance with the following requirements approves the appellant school corporation's making a referendum tax levy for the ensuing calendar year:

(1) Whenever:

(A) the tax control board recommends to the department of local government finance that the appellant school corporation be permitted to make a referendum tax levy for the ensuing calendar year if a majority of the individuals voting in a referendum held in the appellant school corporation approves the appellant school corporation's making a referendum tax levy;

(B) the department of local government finance gives the board's written approval of the recommendation; and

(C) the appellant school corporation requests that the tax control board take the steps necessary to cause a referendum to be conducted;

the tax control board shall proceed in accordance with this subsection.

(2) The question to be submitted to the voters in the referendum must read as follows:

"For the \_\_\_ (insert number) calendar year or years immediately following the holding of the referendum; shall the school corporation impose a property tax rate that does not exceed \_\_\_\_\_ (insert amount) cents (\$0.\_\_\_\_) (insert amount) on each one hundred dollars (\$100) of assessed valuation and that is in addition to the school corporation's normal tax rate?"

The voters in a referendum may not approve a referendum tax levy that is imposed for more than seven (7) years. However, a referendum tax levy may be reimposed or extended under this subsection.

(3) The tax control board shall act under IC 3-10-9-3 to certify the question to be voted on at the referendum to the county election board of each county in which any part of the appellant school corporation lies. Each county clerk shall, upon receiving the question certified by the tax control board, call a meeting of the county election board to make arrangements for the referendum. The referendum shall be held in the next primary or general election in which all the registered voters who are residents of the appellant school corporation are entitled to vote after certification

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of the question under IC 3-10-9-3. However, if the referendum would be held at a primary or general election more than six (6) months after certification by the tax control board, the referendum shall be held at a special election to be conducted not less than ninety (90) days after the question is certified to the circuit court clerk or clerks by the tax control board. The appellant school corporation shall advise each affected county election board of the date on which the appellant school corporation desires that the referendum be held; and, if practicable, the referendum shall be held on the day specified by the appellant school corporation. The referendum shall be held under the direction of the county election board, which shall take all steps necessary to carry out the referendum. If a primary election, general election, or special election is held during the sixty (60) days preceding or following the special election described in this subdivision and is held in an election district that includes some, but not all, of the school corporation, the county election board may also adopt orders to specify when the registration period for the elections cease and resume under IC 3-7-13-10. Not less than ten (10) days before the date on which the referendum is to be held, the county election board shall cause notice of the question that is to be voted upon at the referendum to be published in accordance with IC 5-3-1. If the referendum is not conducted at a primary or general election, the appellant school corporation in which the referendum is to be held shall pay all of the costs of holding the referendum.

(4) Each county election board shall cause the question certified to the circuit court clerk by the tax control board to be placed on the ballot in the form prescribed by IC 3-10-9-4. The county election board shall also cause an adequate supply of ballots and voting equipment to be delivered to the precinct election board of each precinct in which the referendum is to be held.

(5) The individuals entitled to vote in the referendum are all of the registered voters resident in the appellant school corporation.

(6) Each precinct election board shall count the affirmative votes and the negative votes cast in the referendum and shall certify those two (2) totals to the county election board of each county in which the referendum is held. The circuit court clerk of each county shall, immediately after the votes cast in the referendum have been counted, certify the results of the referendum to the tax control board. Upon receiving the certification of all of the votes cast in the referendum, the tax control board shall promptly certify the result of the referendum to the department of local

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government finance. If a majority of the individuals who voted in the referendum voted "yes" on the referendum question; the department of local government finance; upon being notified in the manner described in this subsection of the result of the referendum; shall take prompt and appropriate steps to notify the appellant school corporation that the appellant school corporation is authorized to collect, for the calendar year that next follows the calendar year in which the referendum is held; a referendum tax levy not greater than the amount approved in the referendum. The referendum tax levy may be imposed for the number of calendar years approved by the voters following the referendum for the school corporation in which the referendum is held. If a majority of the individuals who voted in the referendum voted "yes" on the referendum question; the school corporation shall establish a referendum tax levy fund under IC 21-2-11.6. A school corporation's referendum tax levy may not be considered in the determination of the school corporation's state tuition support under IC 21-3-1.7 or the determination of the school corporation's maximum general fund tax levy under this chapter and IC 21-3-1.7. If a majority of the persons who voted in the referendum did not vote "yes" on the referendum question; the appellant school corporation may not make any tax levy for its general fund other than a normal tax levy; and another referendum under this subsection may not be held for a period of one (1) year after the date of the referendum.

(d) (c) With respect to any school corporation to which a loan or advance of state funds is made under this section, or for which such a loan or an advance is recommended, for purposes other than the purpose specified in section 4.7 of this chapter, the tax control board may recommend to the department of local government finance that the school corporation be authorized, for a specified calendar year, and solely for the purpose of enabling the school corporation to repay the loan or advance, to collect an excessive tax levy. A recommendation under this subsection must specify the amount of the recommended excessive tax levy. Upon receiving the recommendation from the tax control board, and without any other proceeding, the department of local government finance may authorize the school corporation, for a specified calendar year, to make an excessive tax levy in accordance with the recommendation of the tax control board or in accordance with a modification of the recommendation that the department of local government finance determines is proper. Whenever the department of local government finance exercises the power given to the department

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of local government finance under this subsection, the department of local government finance shall, in the department's order to the affected school corporation, specify the amount of the authorized excessive tax levy and take appropriate steps to ensure that so much of the proceeds of the excessive tax levy as should be used for loan repayment purposes is not used for any other purpose. The department of local government finance may not exercise the power described in this subsection to authorize any school corporation to collect an excessive tax levy for more than one (1) calendar year in any period of four (4) consecutive calendar years.

SECTION 3. IC 6-1.1-19-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 10. (a) This section applies to a school corporation that:

(1) is located in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000);

(2) is a party to a lawsuit alleging that its schools are segregated in violation of the Constitution of the United States or federal law;

(3) desires to improve or maintain racial balance among two (2) or more schools within the school corporation, regardless of the school corporation's basis for desiring to improve or maintain racial balance; and

(4) has a minority student enrollment that comprises at least ten percent (10%) of its total student enrollment, using the most recent enrollment data available to the school corporation.

(b) As used in this section, "minority student" means a student who is black, Spanish American, Asian American, or American Indian.

(c) A school corporation may establish a racial balance fund and petition the school property tax control board to impose an ad valorem property tax to raise revenue for the fund. However, before a school corporation may impose an ad valorem property tax under this section, the school corporation must file a petition with the school property tax control board. The petition must be filed before June 1 of the year preceding the first year the school corporation desires to impose the property tax and must include the following:

(1) The name of the school corporation.

(2) A settlement agreement among the parties to a desegregation lawsuit that includes the program that will improve or maintain racial balance in the school corporation.

(3) The proposed property tax levy.

(4) Any other item required by the school property tax control board.

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(d) The school property tax control board may recommend to the department of local government finance that a school corporation be allowed to establish a racial balance fund to be funded by an ad valorem property tax levy. The amount of the levy shall be determined each year and the levy may not exceed the lesser of the following:

(1) The revenue derived from a tax rate of eight and thirty-three hundredths cents (\$0.0833) for each one hundred dollars (\$100) of assessed valuation within the school corporation.

(2) The revenue derived from a tax rate equal to the difference between the maximum rate allowed for the school corporation's capital projects fund under IC 21-2-15 minus the actual capital projects fund rate that will be in effect for the school corporation for a particular year.

(e) The department of local government finance shall review the petition of the school corporation and the recommendation of the school property tax control board and:

(1) disapprove the petition if the petition does not comply with this section;

(2) approve the petition; or

(3) approve the petition with modifications.

(f) A property tax levy under this section is in addition to, and not part of, the school corporation's general fund property tax levy for purposes of determining the school corporation's maximum permissible general fund property tax levy under this chapter. **However, the levy under this section is subject to IC 6-1.1-19.5.**

(g) Money received from a property tax levy under this section shall be deposited in the school corporation's racial balance fund established under this section. Money in the fund may be used only for education programs that improve or maintain racial balance in the school corporation. Money in the fund may not be used for:

(1) transportation; or

(2) capital improvements;

even though those costs may be attributable to the school corporation's proposed programs for improving or maintaining racial balance in the school corporation.

SECTION 4. IC 6-1.1-19.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

**Chapter 19.5. School Property Tax Freeze**

**Sec. 1. The purpose of this chapter is, to the extent permitted under the:**

**(1) Constitution of the State of Indiana; and**

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(2) Constitution of the United States;  
to freeze tax revenues raised from ad valorem property taxes  
beginning in 2007 at the amount of ad valorem property taxes first  
due and payable in 2006 for all funds for each school corporation  
in Indiana.

Sec. 2. As used in this chapter, "department" refers to the  
department of local government finance.

Sec. 3. As used in this chapter, "property tax" refers to a tax  
assessed and imposed on tangible property on an ad valorem basis  
by a school corporation.

Sec. 4. The department shall determine the following:

(1) The total amount of property taxes imposed by a school  
corporation in Indiana that ordinarily would be first due and  
payable in 2006, after eliminating the effect of:

(A) a shortfall and other excessive tax levies; and

(B) other temporary adjustments;

affecting property tax levies first due and payable in 2006 for  
all funds.

(2) The proportionate share of the amount determined under  
subdivision (1) that was levied by the school corporation for  
each purpose, fund, or group of purposes or funds.

Sec. 5. If the property taxes first due and payable for a school  
corporation in 2006 were affected by the late issuance of a  
statement under IC 6-1.1-22-8, the issuance of a provisional or  
reconciling statement under IC 6-1.1-22.5, or other extraordinary  
factors, the determination under section 4 of this chapter may be  
an estimate using the best data available to the department.

Sec. 6. The department may adjust a determination made under  
section 4 of this chapter to correct a mathematical error or other  
error in the calculation of the amount.

Sec. 7. (a) A school corporation may not impose a property tax  
levy for all funds that is greater than the amount determined under  
section 4 of this chapter unless the voters pass a referendum in  
favor of imposing a referendum tax levy. A referendum tax levy  
may not exceed one percent (1%) of the amount determined under  
section 4 of this chapter.

(b) To cause a referendum to be placed on a ballot, a resolution  
recommending a referendum tax levy must be adopted by the  
governing board of the school corporation. The following  
procedures must be followed with respect to such a resolution:

(1) The proper officers of the school corporation shall:

(A) publish notice in accordance with IC 5-3-1; and

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(B) send notice by first class mail to any organization that delivers to the officers, before January 1 of that year, an annual written request for such notices; of any meeting to consider adoption of such a resolution and shall conduct a public hearing on the resolution before adoption of the resolution.

(2) When the governing board of a school corporation adopts a resolution recommending a referendum tax levy under this section, the officers shall give notice of the adoption by:

(A) publication in accordance with IC 5-3-1; and

(B) first class mail to the organizations described in subdivision (1)(B).

(3) A notice under subdivision (2) of the adoption of a resolution to recommend a referendum tax levy must include the following information:

(A) The amount by which the levies for all funds would exceed the limitation determined under section 4 of this chapter.

(B) The number of years during which the referendum tax levy would be imposed.

(C) The purpose for the referendum tax levy.

(D) The percentage and estimated dollar amounts the school corporation will allocate to each of its funds from the referendum tax levy.

(c) The recommendation in the resolution may not be put into effect until a majority of the individuals who vote in a referendum that is conducted in accordance with this section approves the school corporation's making a referendum tax levy for the ensuing calendar year. If a school corporation adopts a resolution recommending a referendum tax levy, the school corporation shall take the steps necessary to cause a referendum to be conducted and proceed in accordance with this section.

(d) The question to be submitted to the voters in the referendum must read as follows:

"For the \_\_\_ (insert number) calendar year or years immediately following the holding of the referendum, shall the school corporation impose a property tax rate that does not exceed \_\_\_\_\_ (insert amount) cents (\$0.\_\_\_\_) (insert amount) on each one hundred dollars (\$100) of assessed valuation and that is in addition to the school corporation's normal tax rate?"

(e) The school corporation shall act under IC 3-10-9-3 to certify

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the question to be voted on at the referendum to the county election board of each county in which any part of the school corporation lies. Each county clerk shall, upon receiving the question certified by the school corporation, call a meeting of the county election board to make arrangements for the referendum. The referendum shall be held in the next primary or general election in which all the registered voters who are residents of the school corporation are entitled to vote after certification of the question under IC 3-10-9-3. However, if the referendum would be held at a primary or general election more than six (6) months after certification by the school corporation, the referendum shall be held at a special election to be conducted not less than ninety (90) days after the question is certified to the circuit court clerk or clerks. The school corporation shall advise each affected county election board of the date on which the school corporation desires that the referendum be held, and, if practicable, the referendum shall be held on the day specified by the school corporation. The referendum shall be held under the direction of the county election board, which shall take all steps necessary to carry out the referendum. If a primary election, general election, or special election is held during the sixty (60) days preceding or following the special election described in this subsection and is held in an election district that includes some, but not all, of the school corporation, the county election board may also adopt orders to specify when the registration period for the elections cease and resume under IC 3-7-13-10. Not less than ten (10) days before the date on which the referendum is to be held, the county election board shall publish notice in accordance with IC 5-3-1 of the question that is to be voted on at the referendum. If the referendum is not conducted at a primary or general election, the school corporation in which the referendum is to be held shall pay all the costs of holding the referendum.

(f) Each county election board shall cause the question certified to the circuit court clerk to be placed on the ballot in the form prescribed by IC 3-10-9-4. The county election board shall also cause an adequate supply of ballots and voting equipment to be delivered to the precinct election board of each precinct in which the referendum is to be held.

(g) All registered voters resident in the appellant school corporation are entitled to vote in the referendum.

(h) Each precinct election board shall count the affirmative votes and the negative votes cast in the referendum and shall

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1 certify those two (2) totals to the county election board of each  
 2 county in which the referendum is held. The circuit court clerk of  
 3 each county shall, immediately after the votes cast in the  
 4 referendum have been counted, certify the results of the  
 5 referendum to the department.

6 (i) If a majority of the individuals who voted in the referendum  
 7 voted "yes" on the referendum question, the department, upon  
 8 being notified of the result of the referendum, shall take prompt  
 9 and appropriate steps to notify the school corporation that the  
 10 school corporation is authorized to collect, for the calendar year  
 11 that next follows the calendar year in which the referendum is held,  
 12 a referendum tax levy not greater than the amount approved in the  
 13 referendum. The referendum tax levy may be imposed for the  
 14 number of calendar years approved by the voters in the  
 15 referendum. To the extent a school corporation allocates an  
 16 amount of the school corporation's referendum tax levy to the  
 17 school corporation's general fund, that amount shall be considered  
 18 in the determination of the school corporation's state tuition  
 19 support under IC 21-3-1.7 and in the determination of the school  
 20 corporation's maximum general fund tax levy under this chapter  
 21 and IC 21-3-1.7. If a majority of the individuals who voted in the  
 22 referendum do not vote "yes" on the referendum question, the  
 23 school corporation may not make any referendum tax levy.

24 Sec. 8. Before August 2 of each year, the department shall  
 25 certify the property tax freeze limit amount determined under  
 26 section 4 of this chapter for a school corporation, as adjusted under  
 27 section 5 or 6 of this chapter, to the following:

- 28 (1) The fiscal officer of the school corporation.
- 29 (2) The county auditor of each county in which the school
- 30 corporation described in subdivision (1) is located.

31 Sec. 9. Subject to section 12 of this chapter, a school corporation  
 32 may not impose property tax levies first due and payable after  
 33 2006 that will, in the aggregate for all funds, exceed for that year  
 34 the amount certified for the school corporation under section 8 of  
 35 this chapter.

36 Sec. 10. If a school corporation adopts property tax levies that,  
 37 in the aggregate for all funds, exceed the amount certified for the  
 38 school corporation under section 8 of this chapter, the county  
 39 board of tax adjustment shall reduce the tax rates, tax levies, and  
 40 budget of the school corporation's general fund to eliminate the  
 41 excess.

42 Sec. 11. The department may review under IC 6-1.1-17 any tax

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rate, tax levy, or budget that contributes to the aggregate property tax levy that is subject to a freeze under this chapter. The department may not certify under IC 6-1.1-17-16 a tax rate, tax levy, or budget that would result in the total property tax levies imposed by a school corporation exceeding the amount certified for the school corporation under section 8 of this chapter.

Sec. 12. (a) This section applies if IC 6-1.1-18-3(b) or IC 6-1.1-21.2 would otherwise permit the imposition of a property tax levy that is sufficient to provide funds for a purpose described in IC 6-1.1-18-3(b) or IC 6-1.1-21.2.

(b) The department, after an appeal under IC 6-1.1-19, may permit a school corporation to increase its total property tax levy in excess of the amount certified for the school corporation under section 8 of this chapter only if the department determines that:

- (1) a referendum has passed permitting the increase as provided in section 7 of this chapter; or
- (2) all the following conditions are satisfied:

(A) Grounds for increasing the levy:

(i) as set forth in IC 6-1.1-18-3(b) as an exception under which a portion of a tax rate fixed by a political subdivision shall not be considered in computing the tax rate limits prescribed in IC 6-1.1-18-3(a); or

(ii) as set forth in IC 6-1.1-21.2 as circumstances requiring the department to approve an appeal for a distribution from the property tax replacement fund;

exist in the case of the school corporation.

(B) All discretionary reductions in the school corporation's budget have been made to eliminate or reduce all governmental activities to the minimum level required by law.

(C) All property not needed to provide the minimum level of governmental services and goods required by law has been sold.

(D) After reducing its budget and selling surplus property, the school corporation will have insufficient money to meet the taxing unit's obligations as they come due.

(E) The school corporation is unable to obtain financing to pay the obligations as they come due.

(c) An increase under this section may be permitted only for the period approved in the referendum or the minimum period necessary, as determined by the department, to fund the obligations described in IC 6-1.1-18-3(b) or IC 6-1.1-21.2.

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1        **Sec. 13. The department may not adjust the aggregate amount**  
 2        **certified for a school corporation under section 8 of this chapter**  
 3        **for any of the following reasons:**

4            (1) **An increase in the services or goods delivered by the**  
 5            **school corporation.**

6            (2) **An increase in the costs of delivering services and goods**  
 7            **provided by the school corporation.**

8            (3) **An increase in the territory or the persons served by a**  
 9            **school corporation.**

10          (4) **The creation of the school corporation after March 1,**  
 11          **2005, or any other reason that limited the amount of property**  
 12          **taxes that the school corporation imposed in 2006.**

13        **Sec. 14. The department shall adjust each property tax levy**  
 14        **limit or property tax rate limit under IC 6-1.1-19-1.5,**  
 15        **IC 6-1.1-19-10, IC 21-2-11.5-3, IC 21-2-12, IC 21-2-13, IC 21-2-14,**  
 16        **IC 21-2-15, or any other law, as the department determines**  
 17        **appropriate, to carry out this chapter.**

18        SECTION 5. IC 6-1.1-21.2-1 IS AMENDED TO READ AS  
 19        FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) **Subject to**  
 20        **subsection (c),** this chapter applies to an allocation area established  
 21        prior to January 1, 2003.

22            (b) **Subject to subsection (c),** this chapter does not apply to the  
 23        portion of an allocation area described under subsection (a) that is  
 24        expanded after December 31, 2002.

25            (c) **This chapter applies to:**

26            (1) **an allocation area established after December 31, 2002,**  
 27            **and before January 1, 2007; and**

28            (2) **the part of an allocation area described under subsection**  
 29            **(a) that is expanded after December 31, 2002, and before**  
 30            **January 1, 2007.**

31        SECTION 6. IC 6-1.1-21.2-11 IS AMENDED TO READ AS  
 32        FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 11. (a) Not later than  
 33        September 1 of a year in which a general reassessment does not  
 34        become effective, the governing body shall estimate the tax increment  
 35        replacement amount for each allocation area under the jurisdiction of  
 36        the governing body for the next calendar year. In a year in which a  
 37        general reassessment becomes effective, the department of local  
 38        government finance may extend the deadline under this subsection by  
 39        giving written notice to the governing body before the deadline.

40            (b) The tax increment replacement amount is the ~~amount~~ **sum of the**  
 41        **amounts determined in under subsections (c) and (d).**

42            (c) **This subsection applies only to that part of an allocation area**

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1 established before January 1, 2002. The tax increment replacement  
 2 amount determined under this subsection is the amount  
 3 determined under STEP THREE of the following formula:

4 STEP ONE: The governing body shall estimate the amount of tax  
 5 increment revenues it would receive in the next calendar year if  
 6 the property tax replacement credits payable with respect to the  
 7 general fund levies imposed by all school corporations with  
 8 jurisdiction in the allocation area were determined under  
 9 IC 6-1.1-21 as in effect on January 1, 2001.

10 STEP TWO: The governing body shall estimate the amount of tax  
 11 increment revenues it will receive in the next calendar year after  
 12 implementation of the increase in the property tax credits payable  
 13 under IC 6-1.1-21, as amended by the general assembly in 2002,  
 14 with respect to general fund levies imposed by all school  
 15 corporations with jurisdiction in the allocation area.

16 STEP THREE: Subtract the STEP TWO amount from the STEP  
 17 ONE amount.

18 (d) This subsection applies only to that part of an allocation area  
 19 established before January 1, 2007. The tax increment replacement  
 20 amount determined under this subsection is the amount  
 21 determined under STEP THREE of the following formula:

22 STEP ONE: The governing body shall estimate the amount of  
 23 tax increment revenues it would receive in the next calendar  
 24 year with respect to general fund property tax levies imposed  
 25 by all school corporations with jurisdiction in the allocation  
 26 area but before the application of the property tax freeze  
 27 under IC 6-1.1-19.5 to all levies of the school corporation.

28 STEP TWO: The governing body shall estimate the amount  
 29 of tax increment revenues it would receive in the next  
 30 calendar year with respect to general fund levies imposed by  
 31 all school corporations with jurisdiction in the allocation area  
 32 and after the application of the property tax freeze under  
 33 IC 6-1.1-19.5 to all levies of the school corporation.

34 STEP THREE: Subtract the STEP TWO amount from the  
 35 STEP ONE amount.

36 SECTION 7. IC 6-2.3-2-2.1 IS ADDED TO THE INDIANA CODE  
 37 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
 38 JANUARY 1, 2007]: Sec. 2.1. (a) The receipt of taxable gross  
 39 receipts from transactions is subject to a local income for  
 40 education surtax at a rate of one-tenth percent (0.1%).

41 (b) The surtax shall be paid at the same time and in the same  
 42 manner as the tax imposed under section 1 of this chapter.

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1 (c) IC 6-8.1 applies to the surtax.

2 (d) The revenue received from the local income for education  
3 surtax shall be deposited in the local income for education fund  
4 established by IC 21-3-13-1.

5 SECTION 8. IC 6-3-2-1.1 IS ADDED TO THE INDIANA CODE  
6 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
7 JANUARY 1, 2007]: Sec. 1.1. (a) Each taxable year, a local income  
8 for education surtax at the rate of twenty-five hundredths percent  
9 (0.25%) of adjusted gross income is imposed upon the adjusted  
10 gross income of every resident person and on that part of the  
11 adjusted gross income derived from sources within Indiana of  
12 every nonresident person.

13 (b) Each taxable year, a local income for education surtax at the  
14 rate of sixty-three hundredths percent (0.63%) of adjusted gross  
15 income is imposed on that part of the adjusted gross income  
16 derived from sources within Indiana of every corporation.

17 (c) The surtax shall be paid at the same time and in the same  
18 manner as the tax imposed under section 1 of this chapter.

19 (d) IC 6-8.1 applies to the surtax.

20 (e) The revenue received from the local income for education  
21 surtax shall be deposited in the local income for education fund  
22 established by IC 21-3-13-1.

23 SECTION 9. IC 6-5.5-2-1.1 IS ADDED TO THE INDIANA CODE  
24 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
25 JANUARY 1, 2007]: Sec. 1.1. (a) There is imposed on each taxpayer  
26 a local income for education franchise surtax measured by the  
27 taxpayer's apportioned income for the privilege of exercising its  
28 franchise or the corporate privilege of transacting the business of  
29 a financial institution in Indiana. The amount of the tax for a  
30 taxable year shall be determined by multiplying sixty-three  
31 hundredths percent (0.63%) times the income subject to the  
32 franchise tax rate set forth in section 1 of this chapter.

33 (b) The surtax shall be paid at the same time and in the same  
34 manner as the tax imposed under section 1 of this chapter.

35 (c) IC 6-8.1 applies to the surtax.

36 (d) The revenue received from the local income for education  
37 franchise surtax shall be deposited in the local income for  
38 education fund established by IC 21-3-13-1.

39 SECTION 10. IC 20-24-7-2, AS ADDED BY P.L.1-2005,  
40 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
41 JULY 1, 2006]: Sec. 2. (a) Not later than the date established by the  
42 department for determining average daily membership, and after May

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31 each year, the organizer shall submit to the department the following information on a form prescribed by the department:

- (1) The number of students enrolled in the charter school.
- (2) The name and address of each student.
- (3) The name of the school corporation in which the student has legal settlement.
- (4) The name of the school corporation, if any, that the student attended during the immediately preceding school year.
- (5) The grade level in which the student will enroll in the charter school.

The department shall verify the accuracy of the information reported.

(b) This subsection applies after December 31 of the calendar year in which a charter school begins its initial operation. The department shall distribute to the organizer the amount determined under IC 21-3-1.7 for the charter school. The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution under IC 21-3-1.7.

(c) The department shall provide to the department of local government finance the following information:

- (1) For each county, the number of students who:
  - (A) have legal settlement in the county; and
  - (B) attend a charter school.
- (2) The school corporation in which each student described in subdivision (1) has legal settlement.
- (3) The charter school that a student described in subdivision (1) attends and the county in which the charter school is located.
- (4) The amount determined under IC 6-1.1-19-1.5(f) STEP EIGHT for 2004 and IC 6-1.1-19-1.5(b) ~~STEP SIX~~ **STEP FIVE** **(D)** for ~~2005~~ **2006 and 2007** for each school corporation described in subdivision (2).
- (5) The amount determined under STEP TWO of the following formula:

STEP ONE: Determine the product of:

- (A) the amount determined under IC 21-3-1.7-6.7(d) or IC 21-3-1.7-6.7(e) for a charter school described in subdivision (3); multiplied by
- (B) thirty-five hundredths (0.35).

STEP TWO: Determine the product of:

- (A) the STEP ONE amount; multiplied by
- (B) the current ADM of a charter school described in subdivision (3).

- (6) The amount determined under STEP THREE of the following

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formula:

STEP ONE: Determine the number of students described in subdivision (1) who:

(A) attend the same charter school; and

(B) have legal settlement in the same school corporation located in the county.

STEP TWO: Determine the subdivision (5) STEP ONE amount for a charter school described in STEP ONE (A).

STEP THREE: Determine the product of:

(A) the STEP ONE amount; multiplied by

(B) the STEP TWO amount.

SECTION 11. IC 20-26-11-23, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 23. (a) If a transfer is ordered to commence in a school year, where the transferor corporation has net additional costs over savings (on account of any transfer ordered) allocable to the calendar year in which the school year begins, and where the transferee corporation does not have budgeted funds for the net additional costs, the net additional costs may be recovered by one (1) or more of the following methods in addition to any other methods provided by applicable law:

(1) An emergency loan made under IC 21-2-21-6 to be paid, out of the debt service levy and fund, or a loan from any state fund made available for the net additional costs.

(2) An advance in the calendar year of state funds, which would otherwise become payable to the transferee corporation after such calendar year under law.

(3) A grant or grants in the calendar year from any funds of the state made available for the net additional costs.

(b) The net additional costs must be certified by the department of local government finance, and any grant shall be made solely after affirmative recommendation of the school property tax control board established by IC 6-1.1-19-4.1. Repayment of any advance or loan from the state shall be made in accordance with ~~IC 6-1.1-19-4.5(d)~~. **IC 6-1.1-19-4.5(c)**. The use of any of the methods in this section does not subject the transferor corporation to IC 6-1.1-19-4.7.

SECTION 12. IC 21-2-11.5-3, AS AMENDED BY P.L.246-2005, SECTION 187, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) Subject to subsection (b), each school corporation may levy for the calendar year a property tax for the school transportation fund sufficient to pay all operating costs attributable to transportation that:

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(1) are not paid from other revenues available to the fund as specified in section 4 of this chapter; and

(2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

(b) For each year after 2003, the levy for the fund may not exceed:

(1) the amount determined by multiplying:

(A) the school corporation's levy for the school transportation fund for the previous year, as that levy was determined by the department of local government finance in fixing the civil taxing unit's budget, levy, and rate for that preceding calendar year under IC 6-1.1-17 and after eliminating the effects of temporary excessive levy appeals and any other temporary adjustments made to the levy for the calendar year; by

(B) the assessed value growth quotient determined under subsection (c); ~~STEP FOUR~~; plus

(2) in 2006 and 2007, the amount determined under subsection (d).

(c) For purposes of subsection (b), the assessed value growth quotient is the amount determined ~~under STEP FOUR of the following formula:~~

~~STEP ONE: For each of the six (6) calendar years immediately preceding the year in which a budget is adopted under IC 6-1.1-17-5 or IC 6-1.1-17-5.6 for part or all of the ensuing calendar year, divide the Indiana nonfarm personal income for the calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).~~

~~STEP TWO: Determine the sum of the STEP ONE results.~~

~~STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).~~

~~STEP FOUR: Determine the lesser of the following:~~

~~(A) The STEP THREE quotient.~~

~~(B) One and six-hundredths (1.06).~~

**for the year under IC 6-1.1-18.5-2.**

If the amount levied in a particular year exceeds the amount necessary to cover the costs payable from the fund, the levy in the following year shall be reduced by the amount of surplus money.

(d) As used in this subsection, "last state transportation distribution" means the total amount of state funding received by a school corporation for transportation costs:

(1) under IC 21-3-3.1-1 through IC 21-3-3.1-3; and

(2) for special education and vocational programs under IC 21-3-3.1-4;

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after June 30, 2003, and before July 1, 2004, multiplied by two (2). To the extent that the amount determined under subsection (b)(1) has not been adjusted to reflect the termination of state distributions for the school corporation's transportation fund, as determined by the department of local government finance, a school corporation may increase its school transportation fund levy for 2006 above the amount determined under subsection (b)(1) by fifty percent (50%) of the school corporation's last state transportation distribution, and the school corporation may increase its school transportation fund levy for 2007 above the amount determined under subsection (b)(1) by the remaining fifty percent (50%) of the school corporation's last state transportation distribution. The amount of the additional levy imposed in a year under this subsection shall be treated, for purposes of applying subsection (b)(1) in the following year, as part of the school corporation's levy for the school transportation fund for the previous year.

(e) Each school corporation may levy for the calendar year a tax for the school bus replacement fund in accordance with the school bus acquisition plan adopted under section 3.1 of this chapter.

(f) The tax rate and levy for each fund shall be established as a part of the annual budget for the calendar year in accord with IC 6-1.1-17.

SECTION 13. IC 21-2-11.6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. (a) The governing body of each school corporation for which a referendum tax levy is approved under ~~IC 6-1.1-19-4.5(e)~~ IC 6-1.1-19.5-7 shall establish a referendum tax levy fund.

(b) A school corporation may impose a referendum tax levy in the amount allowed under ~~IC 6-1.1-19-4.5(e)~~ IC 6-1.1-19.5-7 for the school corporation.

(c) Property tax collections from a school corporation's referendum tax levy shall be deposited in the referendum tax levy fund. Money in the fund may be used for any lawful school expenses.

SECTION 14. IC 21-2-11.6-4, AS ADDED BY P.L.246-2005, SECTION 188, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. (a) This section applies to a school corporation that added an amount to the school corporation's base tax levy before 2002 as the result of the approval of an excessive tax levy by the majority of individuals voting in a referendum held in the area served by the school corporation under IC 6-1.1-19.

(b) The following definitions apply throughout this section:

(1) "Base tax levy" has the meaning set forth in IC 6-1.1-19-1.

(2) "Excessive tax levy" has the meaning set forth in IC 6-1.1-19-1.

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(c) A school corporation may adopt a resolution before September 21, 2005, to transfer the power of the school corporation to levy the amount described in subsection (a) from the school corporation's general fund to the school corporation's referendum tax levy fund. A school corporation that adopts a resolution under this section shall, as soon as practicable after adopting the resolution, send a certified copy of the resolution to the department of local government finance and the county. A school corporation that adopts a resolution under this subsection may, for property taxes first due and payable after 2005, levy an additional amount for the referendum tax levy fund that does not exceed the amount of the excess tax levy added to the school corporation's base tax levy before 2002.

(d) The power of the school corporation to impose the levy transferred to the referendum tax levy fund under this section expires on December 31, 2012, unless:

- (1) the school corporation adopts a resolution to reimpose or extend the referendum tax levy; and
- (2) the referendum tax levy is approved, before January 1, 2013, by a majority of the individuals who vote in a referendum that is conducted in accordance with the requirements in IC 6-1.1-19-4.5(c) **before July 1, 2006, and IC 6-1.1-19.5-7 after June 30, 2006.**

As soon as practicable after adopting the resolution under subdivision (1), the school corporation shall send a certified copy of the resolution to the county auditor and the department of local government finance. Upon receipt of the certified resolution, the tax control board shall proceed in the same manner as the tax control board would for any other referendum tax levy being reimposed or extended under ~~IC 6-1.1-19-4.5(c)~~ **IC 6-1.1-19.5-7**. However, if requested by the school corporation in the resolution adopted under subdivision (1), the question of reimposing or extending a referendum tax levy transferred to the referendum tax levy fund under this section may be combined with a question presented to the voters to reimpose or extend a referendum tax levy initially imposed after 2001. A referendum tax levy reimposed or extended under this subsection shall be treated for all purposes as a referendum tax levy reimposed or extended under ~~IC 6-1.1-19-4.5(c)~~ **IC 6-1.1-19.5-7**.

(e) The school corporation's referendum tax levy under subsection (c) may not be considered in the determination of the school corporation's state tuition support under IC 21-3-1.7 or the determination of the school corporation's maximum general fund tax levy under IC 6-1.1-19 and IC 21-3-1.7.

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SECTION 15. IC 21-2-12-4.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4.1. (a) Each calendar year, commencing in 1976, the county council shall impose on account of this fund the county school supplemental financing tax on the real and personal property subject to taxation by the county at the same time it adopts the county's budget, tax levy, and tax rate for the next calendar year under IC 6-1.1-17. The council shall set a rate for this tax which will produce the aggregate amount of the entitlements of the school corporations for the next calendar year as set out in section 6.1 of this chapter. In no event, however, may the amount of such levy be greater than **the lesser of:**

(1) the total dollar amount of that levy for 1972, payable in the calendar year 1973, assuming one hundred percent (100%) tax collection, multiplied by the ADA ratio (as defined in IC 6-1.1-19-1(d)); or

(2) **the amount levied in 2005, payable in 2006, assuming one hundred percent (100%) tax collection.**

(b) On or before July 10 of each year, the state superintendent of public instruction shall certify to the county auditor the consolidated ADA ratio of the school corporations in the county, the number of pupils in ADM of each school corporation in the county for the immediately preceding school year, and an estimate of these statistics for the succeeding school year. The county auditor shall compute the amount of the county supplemental school tax to be levied each year and on or before August 1 certify the amount to the county council. The rate required by this chapter shall be advertised and fixed by the county council in the same manner as other rates, and the tax rate shall be subject to all applicable law relating to review by the county tax adjustment board and the department of local government finance. The department of local government finance shall, however, certify the county supplemental school financing tax rate required by this chapter at the time it certifies the other county rates. The department of local government finance shall raise or lower this rate to the rate provided in this chapter, whether below or above the rate advertised by the county.

SECTION 16. IC 21-2-13-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) **Subject to IC 6-1.1-19.5**, the board of county commissioners of any such county of this state referred to in section 3 of this chapter shall levy a tax at a rate which shall be sufficient to annually provide adequate funds to carry out the purposes of this chapter, which tax levy and rate shall be known as the county supplemental school financing tax. The various officials and employees of any such county and the school corporations

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1 therein charged with the duty of levying, collecting, and receiving other  
 2 property tax funds for county ~~and/or~~ or school purposes, **or both**, are  
 3 hereby authorized and directed to take the appropriate and respective  
 4 steps as otherwise required by law for the levying, collecting, and  
 5 receiving of taxes in order that the said county supplemental school  
 6 financing tax shall be levied, collected, and received. The receipts from  
 7 the county supplemental school financing tax shall be credited into the  
 8 county school distribution fund and paid from this fund by the auditor  
 9 to the various school corporations of the county and areas attached  
 10 thereto for school purposes in accordance with the terms and conditions  
 11 of this chapter.

12 (b) Whenever the area of a school corporation of any such county  
 13 shall extend into an adjoining county, the tax rate fixed by such board  
 14 of county commissioners, aforesaid, shall control for the levying and  
 15 assessment of such tax in the area so extending into such adjoining  
 16 county. In such case, the board of county commissioners of such  
 17 adjoining county and the county officials thereof shall take all  
 18 appropriate and necessary action as otherwise required by law for the  
 19 levying, collecting, and receiving of such taxes, and the payment  
 20 thereof, into such school distribution fund, aforesaid, for distribution  
 21 of same under the provisions of this chapter.

22 (c) On or before July 10 of each year the state superintendent of  
 23 public instruction shall deliver to any such county auditor a certified  
 24 statement of the number of pupils in average daily attendance in grades  
 25 1 through 12 residing in each school corporation in any such county or  
 26 areas attached thereto for school purposes for the immediately  
 27 preceding school year. Upon the receipt of such information, the county  
 28 auditor shall compute the amount to be distributed to each of said  
 29 school corporations from the receipts of the tax levy provided, based  
 30 upon the formula set forth in this chapter.

31 (d) The county auditor shall annually issue a warrant to the county  
 32 treasurer ordering the payment to the respective school corporations of  
 33 any such county of the various amounts in the county school  
 34 distribution fund at each semiannual tax settlement period during the  
 35 year in which the said tax shall have been collected.

36 (e) The various school corporations in any such county including  
 37 areas attached thereto for school purposes and the proper officials and  
 38 employees thereof shall receive the receipts so distributed by the  
 39 county treasurer in the same manner as other tax receipts are received,  
 40 and such receipts shall be available to such school corporations for any  
 41 purpose or purposes for which school expenditures are authorized by  
 42 law. The purpose or purposes for which such receipts shall be used

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shall rest within the discretion of the administrative officer or governing board of each such school corporation. The budgets of the various school corporations shall, however, reflect the anticipated receipts from said tax and appropriations shall be made from such receipts as other appropriations are made.

(f) The first of any such county tax rate shall be levied in the year 1965 to be collected in the year 1966 and in each year thereafter in accordance with the various provisions of this chapter. The tax levy authorized in this chapter to be made shall be subject to all laws relative to review by the county tax adjustment board and the department of local government finance.

SECTION 17. IC 21-2-13-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6. Each school corporation in any county or areas attached thereto for school purposes, coming within the provisions of this chapter, to qualify to receive any of the receipts of any such tax levy, shall be required to levy against the assessed valuation of such school corporation taxing unit a total school tax rate sufficient to generate an amount equal to the amount of revenues deposited in the county school distribution fund under section 3 of this chapter in calendar year 1979. **However, the levy under this section is subject to IC 6-1.1-19.5.**

SECTION 18. IC 21-2-14-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. All funds unobligated by contracts in the cumulative building fund and all receipts of the cumulative building fund levy made in 1971, payable in 1972, of each school corporation to which this chapter applies, may be transferred by the board of school trustees or other governing body to a new fund to be known as the supplemental school operating reserve fund. The board of school trustees or other governing body shall levy a tax for such fund at not less than the rate which was levied for the cumulative building fund until such fund may be discontinued as provided in section 11 of this chapter. Such tax shall be levied at such rate for such period despite the provisions of any other law, **except for the limitations set forth in IC 6-1.1-19.5.** It shall not be reviewed by the county board of tax adjustment nor reduced by the department of local government finance, but shall be imposed by the department of local government finance if the board of school trustees fails to levy it. During the time a school corporation has a supplemental school operating reserve fund it shall not have a cumulative building fund, except for funds then in the cumulative building fund unobligated by outstanding contracts. All other construction funds shall be appropriated out of its general fund.

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SECTION 19. IC 21-2-15-11, AS AMENDED BY P.L.246-2005, SECTION 190, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 11. (a) **Subject to IC 6-1.1-19.5 and** except as provided in subsection (e), to provide for the capital projects fund, the governing body may, for each year in which a plan adopted under section 5 of this chapter is in effect, impose a property tax rate that does not exceed forty-one and sixty-seven hundredths cents (\$0.4167) on each one hundred dollars (\$100) of assessed valuation of the school corporation. This actual rate must be advertised in the same manner as other property tax rates.

(b) The maximum property tax rate levied by each school corporation must be adjusted each time a general reassessment of property takes effect. The adjusted property tax rate becomes the new maximum property tax rate for the levy for property taxes first due and payable in each year:

- (1) after the general reassessment for which the adjustment was made takes effect; and
- (2) before the next general reassessment takes effect.

(c) The new maximum rate under this section is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the school corporation for the year preceding the year in which the general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: Compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

- (A) Zero (0).
- (B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

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STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(d) The department of local government finance shall compute the maximum rate allowed under subsection (c) and provide the rate to each school corporation.

(e) For a year in which a school corporation uses money from the school corporation's capital projects fund to pay for costs described in section 4(l) of this chapter, the school corporation may impose a property tax rate that exceeds the rate described in subsection (a). The amount by which the property tax rate may exceed the rate described in subsection (a) equals the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the school corporation's expenditures under section 4(l) of this chapter for the calendar year.

STEP TWO: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) the school corporation's assessed valuation for the year.

STEP THREE: Determine the product of:

(A) the STEP TWO amount; multiplied by

(B) one hundred (100).

SECTION 20. IC 21-3-1.7-6.8, AS AMENDED BY P.L.246-2005, SECTION 197, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 6.8. (a) This section does not apply to a charter school.

(b) A school corporation's target general fund property tax rate for purposes of IC 6-1.1-19-1.5 is the result determined under STEP FOUR of the following formula:

STEP ONE: Determine the product of:

(A) the amount determined for the school corporation in STEP ONE of the formula in section 6.7(c) of this chapter; multiplied by

(B) the school corporation's adjusted ADM for the current year.

STEP TWO: This STEP applies only if the amount determined in STEP SEVEN of the formula in section 6.7(c) of this chapter is not equal to the STEP ONE result. Determine the result under clause (F) of the following formula:

(A) Divide the school corporation's assessed valuation by the school corporation's current ADM.

(B) Divide the clause (A) result by ten thousand (10,000).

(C) Determine the greater of the following:

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- 1 (i) The clause (B) result.  
 2 (ii) Thirty-six dollars and thirty cents (\$36.30).  
 3 (D) Determine the result determined under item (ii) of the  
 4 following formula:  
 5 (i) Subtract the STEP ONE result from the amount  
 6 determined in STEP SEVEN of the formula in section 6.7(c)  
 7 of this chapter.  
 8 (ii) Divide the item (i) result by the school corporation's  
 9 current ADM.  
 10 (E) Divide the clause (D) result by the clause (C) result.  
 11 (F) Divide the clause (E) result by one hundred (100).  
 12 STEP THREE: This STEP applies only if the amount determined  
 13 in STEP SEVEN of the formula in section 6.7(c) of this chapter  
 14 is equal to the STEP ONE result and the result of clause (A) is  
 15 greater than zero (0). Determine the result under clause (G) of the  
 16 following formula:  
 17 (A) Add the following:  
 18 (i) An amount equal to the annual decrease in federal aid to  
 19 impacted areas from the year preceding the ensuing calendar  
 20 year by three (3) years to the year preceding the ensuing  
 21 calendar year by two (2) years.  
 22 (ii) The part of the maximum general fund levy for the year  
 23 that equals the original amount of the levy imposed by the  
 24 school corporation to cover the costs of opening a new  
 25 school facility during the preceding year.  
 26 (B) Divide the clause (A) result by the school corporation's  
 27 current ADM.  
 28 (C) Divide the school corporation's assessed valuation by the  
 29 school corporation's current ADM.  
 30 (D) Divide the clause (C) result by ten thousand (10,000).  
 31 (E) Determine the greater of the following:  
 32 (i) The clause (D) result.  
 33 (ii) Thirty-six dollars and thirty cents (\$36.30).  
 34 (F) Divide the clause (B) result by the clause (E) amount.  
 35 (G) Divide the clause (F) result by one hundred (100).  
 36 STEP FOUR: This STEP applies to all school corporations.  
 37 Determine the sum of:  
 38 (A) seventy-two ~~and~~ cents (\$0.72); ~~in 2006 and seventy-two~~  
 39 ~~and ninety-two hundredths cents (\$0.7292) in 2007; plus~~  
 40 (B) if applicable, the STEP TWO or STEP THREE result.  
 41 SECTION 21. IC 21-3-1.7-8.2, AS AMENDED BY P.L.246-2005,  
 42 SECTION 199, IS AMENDED TO READ AS FOLLOWS

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[EFFECTIVE JULY 1, 2006]: Sec. 8.2. (a) Notwithstanding IC 21-3-1.6 and subject to section 9 of this chapter, the state distribution for a calendar year for tuition support for basic programs for each school corporation equals the result determined using the following formula:

STEP ONE: For a:

(A) school corporation not described in clause (B), determine the school corporation's result under STEP SEVEN of section 6.7(c) of this chapter for the calendar year; and

(B) school corporation that has target revenue per adjusted ADM for a calendar year that is equal to the amount under section 6.7(c) STEP ONE of this chapter, determine the sum of:

(i) the school corporation's result under section 6.7(c) STEP ONE of this chapter for the calendar year multiplied by the school corporation's adjusted ADM for the current year; plus  
(ii) the amount of the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years; plus

(iii) the part of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility or reopening an existing facility during the preceding year.

STEP TWO: This STEP applies to a school corporation that is not a charter school. Determine the sum of:

(A) the school corporation's tuition support levy; plus

**(B) the amount determined under IC 21-3-13 as the school corporation's general fund levy replacement share of the local income for education fund; plus**

~~(B)~~ (C) the school corporation's excise tax revenue for the year that precedes the current year by one (1) year.

STEP THREE: This STEP applies to a charter school. Determine the product of:

(A) the amount determined under section 6.7(c) STEP SEVEN of this chapter for the charter school; multiplied by

(B) thirty-five hundredths (0.35).

STEP FOUR: Determine the difference between:

(A) the STEP ONE amount; minus

(B) the STEP TWO or STEP THREE amount, as applicable.

(b) If the state tuition support determined for a school corporation

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under this section is negative, the school corporation is not entitled to any state tuition support. In addition, the school corporation's maximum general fund levy under IC 6-1.1-19-1.5 shall be reduced by the amount of the negative result.

SECTION 22. IC 21-3-13 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]:

**Chapter 13. Local Income for Education (LIFE) Fund**

**Sec. 1.** The local income for education fund is established as a dedicated fund within the state treasury to provide money for distributions to school corporations throughout Indiana under state tuition support funding law.

**Sec. 2.** The fund consists of revenue from the local income for education surtaxes.

**Sec. 3.** The department of education shall administer the fund.

**Sec. 4.** The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds are invested. Interest that accrues from these investments shall be deposited in the fund.

**Sec. 5.** Money in the fund at the end of a state fiscal year does not revert to the state general fund.

**Sec. 6.** Money in the fund shall be used in the following priority:

(1) To make distributions to school corporations of tuition support levy replacement amounts. The department of education shall determine for each calendar year and for each school corporation a tuition support levy replacement amount. This replacement amount, if any, is the amount by which the school corporation's tuition support levy would have increased over the previous year had the levy limits set forth in IC 6-1.1-19.5 not been added in the 2006 acts of the general assembly and IC 6-1.1-19-1.5 had not been amended to reflect the addition of IC 6-1.1-19.5.

(2) To make distributions to school corporations under section 7 of this chapter.

**Sec. 7. (a)** The department of education shall determine for each calendar year and for each school corporation an annual supplemental distribution amount, which is the lesser of zero (0) or the result of:

(1) the product of:

(A) the sum of:

(i) the amount distributed to the school corporation as provided in section 6 of this chapter; plus

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(ii) the amount distributed under this section;  
 in the previous calendar year; multiplied by  
 (B) the assessed value growth quotient determined under  
 IC 6-1.1-18.5-2 for the distribution year; minus  
 (2) the total amount to be distributed to the school  
 corporation as provided in section 6 of this chapter in the  
 distribution year.

(b) If the balance in the fund is insufficient to cover the  
 distributions required by this section, the department of education  
 shall reduce each school corporation's distribution on a pro rata  
 basis.

(c) Distributions shall be made after July 15 and before July 31  
 each year.

(d) A school corporation may deposit the amount received under  
 this section in one (1) or more of its funds.

SECTION 23. IC 27-1-18-2.1 IS ADDED TO THE INDIANA  
 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 [EFFECTIVE JANUARY 1, 2007]: Sec. 2.1. (a) For the privilege of  
 doing business in Indiana, every insurance company that is  
 required to file a report and that files a notice of election under  
 section 2 of this chapter for a year shall pay a local income for  
 education surtax. The amount of the surtax is equal to the excess  
 determined under section 2 of this chapter multiplied by the  
 one-tenth of one percent (0.1%) for the year that the report covers  
 under section 2 of this chapter.

(b) The surtax shall be paid at the same time and in the same  
 manner as the tax imposed under section 2 of this chapter.

(c) IC 6-8.1 applies to the surtax.

(d) The revenue received from the local income for education  
 surtax shall be deposited in the local income for education fund  
 established by IC 21-3-13-1.

SECTION 24. [EFFECTIVE JULY 1, 2006] (a) IC 6-1.1-19.5, as  
 added by this act, applies only to property taxes first due and  
 payable after December 31, 2006. The:

(1) department of local government finance shall make the  
 determinations required under IC 6-1.1-19.5-4, as added by  
 this act, that apply to property taxes first due and payable in  
 2007, before August 2, 2006; and

(2) school corporations and the department of local  
 government finance shall apply IC 6-1.1-19.5, as added by this  
 act, in setting budgets, tax rates, and tax levies in 2006 for  
 property taxes first due and payable in 2007.

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1 (b) IC 6-1.1-19-1.5, IC 6-1.1-19-4.5, IC 6-1.1-19-10,  
2 IC 6-1.1-21.2-1, IC 6-1.1-21.2-11, IC 21-2-11.5-3, IC 21-2-12-4.1,  
3 IC 21-2-13-5, IC 21-2-13-6, IC 21-2-14-2, IC 21-2-15-11,  
4 IC 21-3-1.7-6.8, and IC 21-3-1.7-8.2, all as amended by this act, and  
5 IC 6-1.1-19.5, as added by this act, apply only to property taxes  
6 first due and payable after December 31, 2006.

7 (c) IC 6-2.3-2-2.1, IC 6-3-2-1.1, IC 6-5.5-2-1.1, and  
8 IC 27-1-18-2.1, all as added by this act, apply to taxable years  
9 beginning after December 31, 2006.

10 (d) Notwithstanding IC 21-3-13, as added by this act, for  
11 supplemental distributions in 2007 under IC 21-3-13-7, as added by  
12 this act, the amount to be used in IC 21-3-13-7(a)(1)(A), as added  
13 by this act, is the amount by which the school corporation's tuition  
14 support levy increased, if any, from 2005 to 2006, instead of the  
15 amount distributed as provided IC 21-3-13-6, as added by this act.

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